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C O N F I D E N T I A L SECTION 01 OF 02 ROME 001342

SIPDIS

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SUBJECT: EU ARMS EMBARGO ON CHINA: ITALY WEARING POKER FACE

REF: STATE 68263

CLASSIFIED BY: DCM EMIL SKODON FOR REASONS 1.5 (B) AND (D).

[1](#)1. (U) PLEASE SEE ACTION REQUESTS IN PARAS 7 AND 8.

[1](#)2. (C) SUMMARY. ITALY WILL FACTOR ITS DEFENSE INDUSTRIAL RELATIONSHIP WITH THE U.S. INTO FORMULATING A POSITION ON WHETHER TO AGREE TO LIFT THE EU EMBARGO. PM BERLUSCONI IS LIKELY TO BE LOBBIED HARD BY CHINESE PREMIER WEN JIABAO WHEN HE VISITS ROME IN EARLY MAY. NEVERTHELESS, MFA OFFICIALS TOLD US THEY BELIEVE ANY DECISION TO REMOVE THE SANCTIONS WILL NOT HAPPEN SOON BECAUSE THE EU IS DIVIDED INTERNALLY. EMBASSY WILL RAISE REFTEL POINTS WITH MOD OFFICIALS (AND REPORT SEPTTEL) WHO MAY BE PARTICULARLY SENSITIVE TO OUR DEFENSE TRADE LINKAGE. WASHINGTON TRANSMISSION OF ADDITIONAL DETAILS REGARDING THE ONGOING POLICY REVIEW RELEASABLE TO THE GOI WOULD HELP US MAKE A MORE EFFECTIVE ARGUMENT WITH A GOVERNMENT CONCERNED ABOUT UNREALIZED EXPECTATIONS IN THE AREA OF U.S.-ITALY DEFENSE TRADE COOPERATION. END SUMMARY.

[1](#)3. (C) AS OF APRIL 5, EMBASSY HAS RAISED REFTEL POINTS WITH THE PM'S DIPLOMATIC ADVISOR GIOVANNI CASTELLANETA, MFA DEPUTY DIRECTOR FOR EU SECURITY ISSUES LUIGI MATTIOLO, AND MFA EAST ASIA OFFICE DIRECTOR CRISTINA RAVAGLIA. AT THE EARLIEST POSSIBLE OPPORTUNITY, WE WILL BRING THEM TO THE ATTENTION OF MFA U/S MARGHERITA BONIVER, WHO HOLDS THE EAST ASIA AND HUMAN RIGHTS PORTFOLIOS, MFA OFFICE DIRECTOR FOR DEFENSE INDUSTRIAL COOPERATION DIEGO UNGARO, AND THE DEFENSE MINISTER'S DIPLOMATIC ADVISOR, FRANCESCO TRUPIANO. ADDITIONALLY, ODC ROME WILL CONVEY THE POINTS TO NATIONAL ARMAMENTS DIRECTOR LT. GEN. GIANNI BOTONDI AS SOON AS A MEETING CAN BE ARRANGED. WE WILL REPORT RESPONSES SEPTTEL.

[1](#)4. (C) GIOVANNI CASTELLANETA TOLD THE DCM ON MARCH 31 THAT ONLY THE FRENCH WERE PUSHING HARD TO LIFT THE EMBARGO. HE NOTED THAT THE ISSUE HAD BEEN DISCUSSED AT THE MARCH 25-26 EU COUNCIL BUT NO DECISION HAD BEEN REACHED. CASTELLANETA EXPECTED HEAVY LOBBYING FROM CHINESE PREMIER WEN JIABAO WHEN HE VISITS ROME IN EARLY MAY AS PART OF A EUROPEAN TRIP, BUT WOULD NOT BE PINNED DOWN ON HOW ITALY INTENDED TO RESPOND. HE CONFIDED THAT ITALY'S NUMBER ONE PRIORITY WITH CHINA WAS TRADE, AND SPECIFICALLY THE CHINESE PENCHANT FOR TRADING IN COUNTERFEIT GOODS. RESPONDING TO THE DCM'S QUERY, CASTELLANETA SAID CHINA HAD NEVER TRIED TO LINK BETTER BEHAVIOR ON IPR TO LIFTING THE EU ARMS EMBARGO.

[1](#)5. (C) ON APRIL 2, LUIGI MATTIOLO TOLD POLOFF THAT THE GOI SHARES U.S. CONCERNS REGARDING A POSSIBLE EU DECISION TO LIFT THE EMBARGO. "THE TIME IS NOT RIPE" FOR SUCH A SHIFT, HE SAID. ITALY WILL PRESS THE POINT IN PSC DELIBERATIONS IN BRUSSELS. MOREOVER, ITALY RECOGNIZES THE IMPORTANCE OF ITS PRODUCTIVE ARMS/TECHNOLOGY TRADE RELATIONSHIP WITH THE U.S. AND WILL TAKE THIS INTO ACCOUNT IN FORMULATING A NATIONAL POSITION. MATTIOLO ACKNOWLEDGED THAT SEVERAL OTHER EU MEMBERS WERE FAR STRICTER THAN ITALY IN LINKING HUMAN RIGHTS PROGRESS TO ENHANCED ARMS TRADE, AND THEREFORE IT WOULD BE UNLIKELY THAT A CONSENSUS TO CHANGE THE STATUS QUO COULD BE REACHED. AT THE SAME TIME, MATTIOLO EMPHASIZED, IT IS IMPORTANT TO KEEP THE LINES OF COMMUNICATION WITH CHINA OPEN AND PRODUCTIVE. HE NOTED THAT THE NEXT OPPORTUNITY FOR HIGH-LEVEL DEBATE ON THE ISSUE IS THE APRIL 26 GAERC. ALTHOUGH THE AGENDA HAS NOT BEEN DRAFTED, HE "WOULD NOT BE SURPRISED" TO SEE THE EMBARGO INCLUDED. IF IT IS, ITALY WOULD URGE AN "EXTREMELY CAUTIOUS APPROACH" TO ANY REVISIONS IN CURRENT RESTRICTIONS.

[1](#)6. (C) CRISTINA RAVAGLIA ASSURED POLOFF ON APRIL 5 THAT THE MFA IS WELL AWARE OF OUR CONCERNS REGARDING THE EMBARGO AND THE HUMAN RIGHTS SITUATION IN CHINA. THE LINK TO US DEFENSE TRADE POLICY WAS A NEW TWIST. SHE DESCRIBED THE ITALIAN POSITION AS A "CAUTIOUS OPENING TO THE POSSIBILITY OF REVISING" THE EMBARGO. PUBLIC OPINION AND INTERNAL POLITICS WILL INFLUENCE THE DECISION, RAVAGLIA SAID. SHE DOUBTED ANY DECISION WOULD BE REACHED IN THE NEAR TERM BECAUSE OF THE LACK OF CONSENSUS IN THE EU AND INDICATED THAT THE JAPANESE HAVE MADE THEIR CONCERNS KNOWN THROUGH A NUMBER OF RECENT DEMARCHES.

[1](#)7. (C) ACTION REQUESTS: OUR EFFORTS TO WORK THE ARMS EMBARGO ISSUE WITH ITALY WOULD BE BOOSTED IF WE HAD MORE SPECIFIC INFORMATION TO SHARE REGARDING THE NSPD-19 PROCESS. AS THE MARCH 30 U.S.-ITALY AERONAUTICS CONFERENCE IN WASHINGTON, D.C. UNDERScoreD, THE ITALIANS ARE EAGER TO FURTHER

STRENGTHEN DEFENSE INDUSTRIAL COOPERATION, BUT ARE CONCERNED

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ELPFULLY, WAKING UP TO THE FACT
THAT THERE ARE AREAS WHERE THEY NEED TO IMPROVE AS WELL.
NEVERTHELESS, ACROSS THE BOARD ON DEFENSE INDUSTRIAL MATTERS,
ITALY IS INCREASINGLY DEMANDING HARD FACTS AND UPFRONT
ASSURANCES. WITHOUT AT LEAST A FEW ADDITIONAL DETAILS ON THE
FUTURE ADVANTAGES AT RISK IF THE EU LIFTS THE EMBARGO, WE ARE
CONCERNED THAT THE ITALIAN OFFICIALS WHO CARE MOST ABOUT THE
DEFENSE INDUSTRIAL RELATIONSHIP COULD BE HAMSTRUNG IN
INTERAGENCY DISCUSSIONS AND, CONCOMITANTLY, IN MAKING AN
EFFECTIVE ARGUMENT WITHIN THE EU FOR MAINTAINING THE STATUS
QUO.

18. (C) ACTION REQUESTS CONT: ADDITIONALLY, A KEY ELEMENT TO
MOVING ITALY OFF THE FENCE WILL BE ACTIVATING THE HUMAN
RIGHTS GROUPS--AND LEGISLATORS--THAT CARE ABOUT CHINA TO
WEIGH IN WITH THE GOVERNMENT. SO FAR, CONSIDERATION THE EU
IS GIVING TO LIFTING THE EMBARGO HAS BEEN OUT OF THE PUBLIC
EYE AS THE ITALIAN PRESS HAS GIVEN ALMOST NO PLAY TO THE
ISSUE. WE STRONGLY SUSPECT THAT THE GOVERNMENT BELIEVES
THERE WOULD BE LITTLE POLITICAL PRICE TO PAY DOMESTICALLY FOR
GOING ALONG WITH A CONSENSUS TO REMOVE THE SANCTIONS. WE CAN
TRY TO CHANGE ITS CALCULUS BY WORKING WITH INTERESTED NGOS
AND SELECT PARLIAMENTARIANS, BUT WOULD APPRECIATE GUIDANCE ON
WORKING OUTSIDE RESTRICTED CHANNELS TO AFFECT GOI DECISION
MAKING. END ACTION REQUESTS.
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[HTTP://WWW.STATE.SGOV.GOV/P/EUR/ROME/INDEX.CF](http://www.state.sgov.gov/p/eur/rome/index.cf) M

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